**Problem**

Land Salvage Company deals in distressed properties and makes high risk sales. In 2009, the company sold for $250,000 a piece of property that cost $150,000. Collections on the sale were: $80,000 in 2009, $120,000 in 2010, and $50,000 in 2011.

Required:

a. Prepare the necessary journal entries in proper format for 2009 and 2010 year assuming the installment sales method is used. *Please leave a blank line between each journal entry.*

b. Using the T-accounts provided, prove the balances in the deferred gross profit account at the end of 2009 and 2010. Proof is not provided solely by posting the relevant T-account.

c. Determine the realized gross profit to be reported each year if the cost recovery method was used instead.

2009 =

2010 =

2011 =

**Problem #2**

In 2009, Trump Construction agreed to build a small office building for $15,000,000. Trump broke ground in 2009 and the building was completed in 2011. The cost and other data related to the building contract are provided:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2009 | 2010 | 2011 |
| Costs incurred during year | 4,500,000 | 4,300,000 | 4,200,000 |
| Estimated costs to complete | 7,500,000 | 4,000,000 | -0- |
| Billings during the year | 3,500,000 | 5,000,000 | 6,500,000 |
| Cash collections during year | 2,800,000 | 5,600,000 | 6,600,000 |

Required:

a. Prepare all required journal entries (and post to relevant T-accounts only) for 2009 and 2010 assuming Trump uses the percentage of completion method of accounting for long-term construction contracts. Round percentage of completion to two decimal places. *Please leave a blank line between each journal entry.*

b. Prepare a partial balance sheet (in proper format) for Trump at the end of 2009 and 2010 with respect to this contract.

c. If Trump had chosen the completed contract method of accounting instead, indicate the amount of revenue that would have been recognized in 2009, 2010 and 2011.

2009 =

2010 =

2011 =